
Written Statement of Raymond A. Skinner
Secretary, Maryland Department of Housing and Community Development

United States House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

May 22, 2001

Introduction:

Good morning Chairwoman Roukema, Representative Frank, and members of the Subcommittee, my name is Raymond A. Skinner and I am the Secretary of the Maryland Department of Housing and Community Development. I am here representing the Council of State Community Development Agencies (COSCDA). COSCDA supports the common interest and goals of states, with a major emphasis on community development, affordable housing, local economic development and state-local relations. COSCDA's members administer a wide range of federal and state programs focused on housing and community development. COSCDA advocates for the interests of states and seeks to enhance states' leadership role in these areas.

Before I begin, I want to thank you for holding this hearing and for recognizing the need to address the dramatic problem of affordable housing in America. COSCDA's members very much appreciate this committee's efforts to expand housing opportunities for low-income people. I am here today to discuss with you the tremendous need for affordable housing, AND to discuss our ideas for solving the affordable housing crisis.

Demonstrated need for affordable housing:

The need for affordable housing in Maryland and across the country has been documented in reports and newspapers across the country, and most notably in HUD's report on Worst Case Housing Needs. HUD's Worst Case Housing Needs study shows that the number of rental units available for very low-income households (households earning less than 50% of area median income) fell by more than 1 million units from 1997 to 1999. Even more alarming, the study noted that the number of units available to extremely low-income households (households earning less than 30% of area median income) dropped by 750,000 units.

The study also explains that these staggering figures represent severe housing shortages in almost every part of the country. It is also worth noting that the findings of these studies are consistent with reports from Harvard University's Joint Center for Housing Studies and other numerous studies across the country.

Current Programs That Work:

Although the need for affordable housing is staggering, there is some good news. We know what works, and we know what is needed to address the problem. Currently, there are a number of federal and state housing programs working effectively and efficiently to address the housing needs of SOME Americans. But we need additional resources to more adequately address the problem. I would like to mention just a few of the successful programs my agency and others like it around the country currently administer.

First, the HOME Investment Partnerships Program. The HOME Program provides a proven, successful model for the development of affordable housing for low-income people. HOME provides state and local governments with the flexibility to meet the unique needs of communities. The program has assisted in the development of more than 580,000 units of affordable housing, with a substantial number of the rental units produced serving extremely low-income people.

Additionally, the HOME program has a proven record of fostering successful partnerships among state and local governments, for profit and non-profit developers, and other community organizations. In fact, for every dollar of HOME money invested in a project, more than three

and half-dollars of additional financing are leveraged. COSCDA strongly urges Congress to increase appropriations for this effective program so that thousands more families can live in safe, decent, affordable housing.

In Maryland, we have use almost 65 percent of our allocation of HOME funds for rental housing. Forty-five percent of the tenants in the rental developments we have financed using HOME funds earn less than 30% of median income, and all of them earn less than 50%. We use most of the rest of our HOME funds primarily for rehabilitation of owner occupied housing, as well as group homes for persons with developmental disabilities, mental illness, and adults and children with AIDS.

Second, the Low Income Housing Tax Credit is a tremendously successful tool for producing affordable housing. Administered by states, the program has assisted in the development of more than 1,000,000 units of affordable housing. Frequently used in conjunction with other programs, including HOME, the tax credit serves as a major source for the development of affordable housing, and we appreciate that Congress voted to substantially increase the program last year.

While we are grateful for the increase, it is still not enough to address the need or the demand for affordable housing. We just completed our latest competition for tax credits in Maryland in April. Even with the increase, the request for tax credits exceeded supply by 4 to 1. This is important not only because it shows that we still need resources, but because it shows there are developers out there ready, able, and willing to produce affordable housing if the funding is available.

Tax Exempt Bond Program Congress also increased the cap in the Mortgage Revenue Bond Program last year and we are also very grateful for that. However, Maryland is already up against its MRB cap, and many States, especially larger ones, are severely impacted by these caps. Unfortunately, this problem is exacerbated by the 10-year rule, which prevents us from re-lending funds that could be used for affordable housing since we are forced to retire rather than re-cycle bond funds.

Community Development Block Grant Program (CDBG): The Community Development Block Grant Program has served as a flexible source of funding for housing related activities for low-income people for more than twenty-five years. While the program provides resources for a wide variety of projects, States spend approximately 20% of their CDBG funds on housing. In Maryland, we use 30 percent of our CDBG funds for housing activities. There is no doubt that CDBG has aided in the production of hundreds of thousands of affordable housing units and remains a vital tool for the development of affordable housing.

Lastly, McKinney-Vento Homeless Assistance Programs: The McKinney-Vento Homeless Assistance Programs provide vital services and housing for homeless people across the country and include programs such as, Emergency Shelter Grants, Shelter Plus Care and the Supportive Housing Program, which provide permanent housing for homeless people. These programs are very effective tools for housing homeless people, but again the resources are not sufficient for meeting the need. For example, we did our preliminary rating and ranking for ESG funds in Maryland last week. The requests for funding we received exceeded what we have available to allocate by almost two to one. We strongly support efforts to shift the renewals of the Shelter

Plus Care Program and the Supportive Housing Program into the Housing Certificate Fund. This shift will increase the supply of permanent affordable housing for (formerly) homeless people and allow McKinney-Vento funds to be used for additional housing programs and services for the homeless. We also support block granting the McKinney homeless programs, so that States and Cities can anticipate their funding streams and provide better service to homeless people.

New Housing Production Program:

While all of these programs are very effective and have proven track records, we believe there is a real need for a new rental housing production program focused on extremely low-income households. COSCDA supports the creation of a new rental housing production program, administered by state agencies chosen by the Governor and modeled after the highly successful HOME Program.

The primary merit of creating a new rental housing production program is to fund greatly needed affordable rental housing. Nationwide, production levels are far below what they have been historically. According to the National Association of Homebuilders, production in the late 1990s was less than half of the early 90s, despite the extremely strong economy.

I mentioned that we recently completed a funding round for the ESG homeless program last week. One of the reasons the demand on these funds was so high was the lack of affordable rental housing. For example, the Howard County Department of Housing in noted their application that the County's rental housing vacancy rate was only .57 percent. That is NOT five-point-seven. That is point-five-seven. That means that there are only 57 vacant rental units for every 10,000 rental units in Howard County.

Some voices say the federal government issuing more Section 8 Vouchers can address the affordable rental housing need. However, you may remember some stories printed in the Washington Post a few months ago about the difficulties voucher holders are having in finding affordable housing. We have been studying the use of Vouchers in Maryland, and hope to finish our report next month. Based on preliminary findings, we have found that the primary reason families can not use their Vouchers is there is simply no place to rent. While Vouchers have much merit, simply issuing more Vouchers will not help us solve our affordable housing crisis if there is no place to use them.

Assuming the creation of a new production program, we believe that State's would be excellent administrators of the program. States have had great success in financing affordable housing through program like HOME, and the Federal Low-Income Housing Tax Credit. Numerous GAO reports regarding the success State's have had operating these programs verifies this. States are much more likely to have (or be able to obtain) matching funds under the various production proposals, since they have access to their own resources. States, with the exception of a few regional governments, are the only political bodies that can build affordable housing anywhere within their borders. This flexibility helps eliminate concentrations of poverty.

We believe that any new production program should primarily serve people at 30% of less of area median income, as that is where the greatest need exists. However, we also recognize that these projects will need to encourage a mix of incomes in order to be financially feasible. This is because extremely low-income households generally will not be able to pay enough rent to pay maintenance and operating costs on their units. Rents from higher income tenants will be needed

to meet this shortfall. Financing for these higher income units can come from existing federal programs, as well as State programs, if a new production program is flexible in its design.

It is for this reason that COSCDA believes a new program should be compatible with existing programs including HOME and the Low Income Housing Tax Credit, and eligible uses for the funds should include new construction, substantial rehabilitation, and preservation. We urge Congress to act to establish a new production program this year.

Conclusion:

In closing, the argument for more affordable housing in this country is clear and convincing.

The programs and policies required to effectively and efficiently meet the needs are largely in the place. At this point, state and local governments need additional resources to partner with housing developers and community organizations to increase the supply of affordable housing for extremely low-income Americans. I appreciate the opportunity to share our views with you, and I would be happy to answer any questions you may have.